

Message Text

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21

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SUBJ: UNDERSECRETARY ROBINSON'S MEETING WITH MINISTER OF
INDUSTRY AND ENERGY ABDESSELAM: BILATERAL RELATIONS

1. DURING CONVERSATIONS JULY 21, MINISTER ABDESSELAM
BROUGHT UP SEVERAL BILATERAL PROBLEMS, MOST
IMPORTANT OF WHICH FOR ALGERIANS ARE CONCERN
CONSTRUCTION OF LNG PLANT AT ARZEW BY CHEMICO.
THE MINISTER SAID RELATIONS BETWEEN CHEMICO AND SONATRACH
HAVE DETERIORATED AND THEY FEEL CHEMICO IS PREPARING
FOR A CLASH. CONTRACT FOR THIS PLANT WAS SIGNED LONG
AGO, AND ALGERIANS ARE READY TO DISCUSS PROBLEMS WITH
CHEMICO. HOWEVER, CHEMICO SEEMS TO WANT TO HAVE FUNDAMENTAL
RENEGOTIATION OF CONTRACT. ALGERIA DOES NOT WANT TO
REOPEN CONTRACT FOR OBVIOUS REASONS. MINISTER STATED
HE BELIEVED ALGERIA WAS BEGINNING HAVE DIFFICULTIES
OBTAINING ADDITIONAL FINANCING FROM EXIM BANK ON
ARZEW PROJECT. MINISTER FEELS THAT IT WOULD NOT BE
APPROPRIATE FOR QUESTION OF EXIM FINANCING TO BE BROUGHT
INTO BILATERAL PROBLEMS OF SONATRACH AND CHEMICO.

2. ROBINSON REPLIED THIS PROBLEM WAS
MENTIONED TO HIM BY THE PRESIDENT, THAT HE WOULD DISCUSS IT
WITH AMBASSADOR PARKER, AND ALSO INQUIRE INTO SITUATION
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UPON HIS RETURN TO WASHINGTON.

3. SECOND PROBLEM THE MINISTER BROUGHT UP WAS PRESENT NEGOTIATIONS BETWEEN SONATARCH AND EASCOGAS AND DISTRIGAS ON CONTRACTS ABOUT TO BE CONCLUDED. ALGERIA NEEDS TO KNOW FPC TIME LIMIT ON CONTRACT APPROVAL. ALGERIA HAS ASKED THESE FIRMS TO UNDERTAKE FINANCING FOR SKIKDA TRAINS IV, V, VI AND HAS RECEIVED CERTAIN PROMISES BUT NO FORMAL COMMITMENTS.

4. THIRD PROBLEM, AGAIN CONCERNING EXIM BANK, IS THAT SOME US COMPANIES ARE NOW SAYING EXIM BANK REFUSING PROPOSALS. FOR EXAMPLE, GTE SAYS EXIM BANK WILL NOT FINANCE PROFESSIONAL ELECTRONIC EQUIPMENT. THESE COMPANIES ARE THUS GOING TO EURODOLLAR MARKET OR COMMERCIAL MARKET FOR CREDIT AND THEIR OFFERS ARE LESS ATTRACTIVE. ANOTHER CASE CONCERNING EXIM BANK PROBLEM IS THAT OF AMERICAN COMPANIES FLUOR AND PFIZER REGARDING 120 MILLION DOLLAR ANTIBIOTICS PLANT ALGERIA PLANS TO BUILD. EXIM BANK'S PROPOSALS ARE LIMITING CREDIT TO TEN YEARS WITH FOUR-YEAR GRACE PERIOD. US PART OF FINANCING IS 16 MILLION DOLLARS. PROBLEM IS THAT PRODUCTION WILL NOT REACH A NORMAL LEVEL UNTIL AFTER SIX YEARS. ALGERIA HOPED, OF COURSE, FOR LONGER PERIOD FOR CREDIT AND PARTICULARLY A LONGER GRACE PERIOD TO FIT PROJECT'S PARTICULAR NEEDS.

5. ROBINSON REPLIED HE WOULD FOLLOW UP ON THESE PROBLEMS WHEN HE RETURNED TO WASHINGTON BUT CONCERNING EXIM BANK, ALGERIA SHOULD UNDERSTAND THAT US IS UNDER PRESSURE TO ASSOCIATE WITH OTHER INDUSTRIALIZED COUNTRIES ON GENERAL AGREEMENT FOR CONDITIONS OF CREDIT. US IS PRESSING FOR LONGER TERMS AND LONGER GRACE PERIODS, BUT IS LIMITED IN WHAT IT CAN DO.
PARKER

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